

Message Text

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E.O. 11652: N/A
TAGS: EFIN IT
SUBJ : PROPOSAL FOR ELIMINATING DOUBLE EXATION ON DIVIDENDS

1. MILAN 'S FINANCIAL DAILY "24 ORE" ON DECEMBER 21 REPORTS
THAT MINISTRY OF FINANCE IS PREPARING DRAFT LAW AIMED AT ELIMI-
NATING ECONOMIC DOUBLE EAXATION OF DIVIDENDS. REPORTEDLY
NEW LAW WOULD CONTAIN FOLLOWING MEASURES: (1) ABOLITION
OF EXISTING 30 OR 50 PERCENT (OPTIONAL) DEFINITVE WITHHOLDING
TAX ON DIVIDENDS;(2) RETENTION OF A WITHHOLDING TAX ON ACCOUNT
OF 10 PERCENT ON DIVIDENDS PAID; (3) INCREASE IN CORPORATE
INCOME TAX RATE (PRPEG) FROM 25 ERCENT TO 30 PERCENT; AND (4)
INTRODUCTION OF TADX CREDIT IN FAVOR OF SHAREHOLDERS IN PROPORTION
TO TAXES PAID BY CORPORATION.

2. IN COMMENTING ON PROPOSED TAX MODIFICATION,"24 ORE"
MADE FOLLOWING POINTS: (1) NEW LAW COULD CREATE DISICNETINVE
FOR RE-INVESTING EARNINGS, SINCE THERE WOULD BE NO TAX CREDIT
ON RE-INVESTED EARNINGS;(2) SHAREHOLDER ANONYMITY WOULD TERMINATE
ALONG WITH ABOLSHMENT OF DEFINITIVE WITHHOLDING TAX ON DIVIDENDS
POSSIBLY CREATING OME DISINCENTIVE TO INVESTMENT IN SHARES;
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(3) PROBLEM OF TAXATION OF FOREIGN SHAREHOLDERS WOULD HAVE TO BE
RESOLVED. ARTCILE POINTS OUT THAT, IN LATTER CASE, IT WOULD
BE POSSIBLE THROUGH BILATERAL TREATIES TO GRANT TAX CREDITS
ALSO TO NON-RESIDENTS. IN ABSENCE OF SUCH TREATIES, EXISTING
30 PERCENT WITHHOLDING TAX WOULD HAVE TO BE RETAINED AS DEFINITIVE
TAX ON NON-RESIDENTS.BEAUDRY

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